

109TH CONGRESS
1ST SESSION

S. 595

To amend the Internal Revenue Code of 1986 to modify the work opportunity credit and the welfare-to-work credit.

IN THE SENATE OF THE UNITED STATES

MARCH 10, 2005

Mr. SANTORUM (for himself, Mr. BAUCUS, Mr. SMITH, Mr. ROCKEFELLER, and Mr. JEFFORDS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the work opportunity credit and the welfare-to-work credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Encouraging Work Act
5 of 2005”.

6 **SEC. 2. MODIFICATIONS TO WORK OPPORTUNITY CREDIT**
7 **AND WELFARE-TO-WORK CREDIT.**

8 (a) CREDIT MADE PERMANENT.—

1 (1) Subsection (c) of section 51 of the Internal
2 Revenue Code of 1986 is amended by striking para-
3 graph (4) (relating to termination).

4 (2) Section 51A of such Code is amended by
5 striking subsection (f).

6 (b) ELIGIBILITY OF EX-FELONS DETERMINED
7 WITHOUT REGARD TO FAMILY INCOME.—Paragraph (4)
8 of section 51(d) of the Internal Revenue Code of 1986
9 is amended by adding “and” at the end of subparagraph
10 (A), by striking “, and” at the end of subparagraph (B)
11 and inserting a period, and by striking all that follows sub-
12 paragraph (B).

13 (c) INCREASE IN MAXIMUM AGE FOR ELIGIBILITY OF
14 FOOD STAMP RECIPIENTS.—Clause (i) of section
15 51(d)(8)(A) of the Internal Revenue Code of 1986 is
16 amended by striking “25” and inserting “40”.

17 (d) INCREASE IN MAXIMUM AGE FOR DESIGNATED
18 COMMUNITY RESIDENTS.—

19 (1) IN GENERAL.—Paragraph (5) of section
20 51(d) of the Internal Revenue Code of 1986 is
21 amended to read as follows:

22 “(5) DESIGNATED COMMUNITY RESIDENTS.—

23 “(A) IN GENERAL.—The term ‘designated
24 community resident’ means any individual who
25 is certified by the designated local agency—

1 “(i) as having attained age 18 but not
2 age 40 on the hiring date, and

3 “(ii) as having his principal place of
4 abode within an empowerment zone, enter-
5 prise community, or renewal community.

6 “(B) INDIVIDUAL MUST CONTINUE TO RE-
7 SIDE IN ZONE OR COMMUNITY.—In the case of
8 a designated community resident, the term
9 ‘qualified wages’ shall not include wages paid or
10 incurred for services performed while the indi-
11 vidual’s principal place of abode is outside an
12 empowerment zone, enterprise community, or
13 renewal community.”

14 (2) CONFORMING AMENDMENT.—Subparagraph
15 (D) of section 51(d)(1) of such Code is amended to
16 read as follows:

17 “(D) a designated community resident,”.

18 (e) CLARIFICATION OF TREATMENT OF INDIVIDUALS
19 UNDER INDIVIDUAL WORK PLANS.—Subparagraph (B)
20 of section 51(d)(6) of the Internal Revenue Code of 1986
21 (relating to vocational rehabilitation referral) is amended
22 by striking “or” at the end of clause (i), by striking the
23 period at the end of clause (ii) and inserting “, or”, and
24 by adding at the end the following new clause:

1 “(iii) an individual work plan devel-
 2 oped and implemented by an employment
 3 network pursuant to subsection (g) of sec-
 4 tion 1148 of the Social Security Act with
 5 respect to which the requirements of such
 6 subsection are met.”

7 (f) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to individuals who begin work for
 9 the employer after the date of the enactment of this Act,
 10 in taxable years ending after such date.

11 **SEC. 3. CONSOLIDATION OF WORK OPPORTUNITY CREDIT**
 12 **WITH WELFARE-TO-WORK CREDIT.**

13 (a) IN GENERAL.—Paragraph (1) of section 51(d) of
 14 the Internal Revenue Code of 1986 is amended by striking
 15 “or” at the end of subparagraph (G), by striking the pe-
 16 riod at the end of subparagraph (H) and inserting “, or”,
 17 and by adding at the end the following new subparagraph:

18 “(I) a long-term family assistance recipi-
 19 ent.”

20 (b) LONG-TERM FAMILY ASSISTANCE RECIPIENT.—
 21 Subsection (d) of section 51 of the Internal Revenue Code
 22 of 1986 is amended by redesignating paragraphs (10)
 23 through (12) as paragraphs (11) through (13), respec-
 24 tively, and by inserting after paragraph (9) the following
 25 new paragraph:

1 “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-
 2 ENT.—The term ‘long-term family assistance recipi-
 3 ent’ means any individual who is certified by the
 4 designated local agency—

5 “(A) as being a member of a family receiv-
 6 ing assistance under a IV-A program (as de-
 7 fined in paragraph (2)(B)) for at least the 18-
 8 month period ending on the hiring date,

9 “(B)(i) as being a member of a family re-
 10 ceiving such assistance for 18 months beginning
 11 after August 5, 1997, and

12 “(ii) as having a hiring date which is not
 13 more than 2 years after the end of the earliest
 14 such 18-month period, or

15 “(C)(i) as being a member of a family
 16 which ceased to be eligible for such assistance
 17 by reason of any limitation imposed by Federal
 18 or State law on the maximum period such as-
 19 sistance is payable to a family, and

20 “(ii) as having a hiring date which is not
 21 more than 2 years after the date of such ces-
 22 sation.”

23 (c) INCREASED CREDIT FOR EMPLOYMENT OF LONG-
 24 TERM FAMILY ASSISTANCE RECIPIENTS.—Section 51 of

1 the Internal Revenue Code of 1986 is amended by insert-
 2 ing after subsection (d) the following new subsection:

3 “(e) CREDIT FOR SECOND-YEAR WAGES FOR EM-
 4 PLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPI-
 5 ENTS.—

6 “(1) IN GENERAL.—With respect to the em-
 7 ployment of a long-term family assistance recipi-
 8 ent—

9 “(A) the amount of the work opportunity
 10 credit determined under this section for the tax-
 11 able year shall include 50 percent of the quali-
 12 fied second-year wages for such year, and

13 “(B) in lieu of applying subsection (b)(3),
 14 the amount of the qualified first-year wages,
 15 and the amount of qualified second-year wages,
 16 which may be taken into account with respect
 17 to such a recipient shall not exceed \$10,000 per
 18 year.

19 “(2) QUALIFIED SECOND-YEAR WAGES.—For
 20 purposes of this subsection, the term ‘qualified sec-
 21 ond-year wages’ means qualified wages—

22 “(A) which are paid to a long-term family
 23 assistance recipient, and

24 “(B) which are attributable to service ren-
 25 dered during the 1-year period beginning on the

1 day after the last day of the 1-year period with
 2 respect to such recipient determined under sub-
 3 section (b)(2).

4 “(3) SPECIAL RULES FOR AGRICULTURAL AND
 5 RAILWAY LABOR.—If such recipient is an employee
 6 to whom subparagraph (A) or (B) of subsection
 7 (h)(1) applies, rules similar to the rules of such sub-
 8 paragraphs shall apply except that—

9 “(A) such subparagraph (A) shall be ap-
 10 plied by substituting ‘\$10,000’ for ‘\$6,000’, and

11 “(B) such subparagraph (B) shall be ap-
 12 plied by substituting ‘\$833.33’ for ‘\$500’.”

13 (d) REPEAL OF SEPARATE WELFARE-TO-WORK
 14 CREDIT.—

15 (1) IN GENERAL.—Section 51A of the Internal
 16 Revenue Code of 1986 is hereby repealed.

17 (2) CLERICAL AMENDMENT.—The table of sec-
 18 tions for subpart F of part IV of subchapter A of
 19 chapter 1 of such Code is amended by striking the
 20 item relating to section 51A.

21 (e) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to individuals who begin work for
 23 the employer after the date of the enactment of this Act,
 24 in taxable years ending after such date.

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